

Auditor's Name and Date

**Internal Audit Compliance Checklist**

**CAGE AND CREDIT  
TESTING PROCEDURES**

Licensee: \_\_\_\_\_ Review Period: \_\_\_\_\_

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other “criteria established by the Chair” in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (“MICS”). The use of this checklist satisfies these requirements.

Objectives:

To determine if controls for cage and credit are adequate to ensure that cage, credit and collection procedures comply with the Regulations and the MICS, and to determine if credit play adjustments are accurately stated in the financial records.

Checklist Completion Notes:

- 1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by “Revenue.” Steps to determine whether assets were protected will be followed by “Asset Protection.”
- 2) The minimum standards quoted on this checklist are from Version 9 of the standards.
- 3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference in which the exception has been carried forward to, as applicable, in the “Exception/Comment” column.
- 4) This checklist includes procedures for wagering accounts pursuant to Regulations 5.225 and 22.040. Modify procedures as necessary.

Scope:

Unless otherwise indicated, select 1 day per year. **Indicate Test Date:** \_\_\_\_\_

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the cage and credit walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the “Walkthrough Procedures Checklist”.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

✓ - Step completed without exception

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1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the NGCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.		
2. For the most recent month, foot listings of all marker and returned check accounts with outstanding balances. If the listings prepared by computer have page subtotals, the pages of the listings may be footed on a sample basis and all page subtotals are footed. Ensure the active listings are in agreement with the general ledger accounts. For inactive accounts trace the year-to-date write-offs to the bad debt expense or the allowance for bad debts account(s). The above listings should be segregated by "active" (collection still feasible) and "inactive" (collection effort terminated) accounts. The listings should include all uncollected items issued since the inception of the licensee's operations. <b>MICS #68</b>  <b>Indicate the month selected:</b> _____		
3. For the month selected in the previous step, trace listing balances to the reconciliation of casino accounts receivable listings to the NGC tax returns prepared by accounting as required by the Cage and Credit <b>MICS #71. (Revenue)</b>  <b>Note:</b> The purpose of this step is to determine that accounting is using the proper listing balances in the reconciliation they prepare.		
4. Select a sample of ten (10) patron accounts from each listing (active and inactive) and trace balances to physical instruments. Review accounts for compliance with credit limits and other established credit issuance procedures. <b>(Asset Protection) MICS #1 - #7, as applicable</b>		
5. From the sample of active accounts selected above, review the collection effort to ensure that a reasonable effort was documented in compliance with <b>Regulation 6.120(3)(a)</b> .		

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6. From two of the sample of active accounts selected above, examine the patron's credit application and the physical instruments for the required statements pursuant to <b>Regulation 6.118(1) and (2)</b> .		
7. From the sample of inactive accounts selected above, review the collection effort on accounts written off to ensure that a reasonable effort was documented at a minimum every 90 days prior to write-off. <b>Regulation 6.120(3)</b>		
<b>Settlement Forms</b> 8. From the sample of inactive accounts selected above, examine the settlement forms and select an additional sample of 10 settlement forms prepared during the licensee's fiscal year and examine each form for the following requirements imposed by <b>Regulation 6.120(6)</b> :		
a) Debt is settled with the patron or his representative [as further explained in <b>Regulation 6.120(6)</b> ].		
b) The settlement is authorized by persons designated to do so in the licensee's system of internal control and is reflected in a single document including the items listed below: <b>Regulation 6.120(6)(b)</b>		
1) Patron's name.		
2) The original amount of the credit instrument.		
3) The amount of the settlement stated in words.		
4) The date of the agreement.		
5) The reason for the settlement.		
6) The signatures of the licensee's employees who authorized the settlement.		
7) The patron's signature.		

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<p><b>Assignment of Original Credit Instruments</b></p> <p>9. Select outstanding credit instruments for two different patrons transferred to two different locations (branch office, collection agencies or other collection representatives or law enforcement agency, i.e. district attorney's office).</p> <p>Verify that a copy of the credit instrument and a receipt/documentation from the collection representative/law enforcement agency is maintained. MICS #20 and 21. Trace payments to the patron's credit card, if applicable. Trace the selected accounts to the detailed listing required for any outstanding "original" credit instruments that have been removed from the property. MICS #22. Agree account balance to monthly reconciliation of transferred instruments and related payments and/or return of instruments to the cage.</p>		
<p><b>Payments Received by Mail</b></p> <p>10. Select one mail payment listing from the three-day sample audited by accounting as required by the Cage &amp; Credit MICS #76(e). Review the listing for proper completion and agree payments to cage records.</p> <p><b>Indicate the month/day selected:</b> _____</p>		
<p><b>Customer Deposits</b></p> <p>11. Reconcile current day's front money balance and current day's wagering account balance, if applicable, on cage accountability to underlying documentation. <b>(Asset Protection)</b></p>		

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<p><b>Test Date Selected:</b> _____</p> <p><b>Casino Accountability</b></p> <p>12. For one day each year, a count is performed of all funds in all gaming areas (i.e., cages, vaults, and booths, including reserve areas, kiosks, wagering instrument redemption machines and change machines). All chips and tokens are counted by denomination and type. Individual straps, bags, racks, and imprest banks are counted on a sample basis. All amounts counted are traced to the amount recorded on the appropriate accountability form to ensure the proper amount is recorded. Documentation is maintained evidencing the count amounts for each area and the subsequent comparison to the appropriate accountability form. The count is completed within the same gaming day for all areas. The count does not include table inventories or slot hopper funds. <b>(Asset Protection)</b></p> <p><b>Note:</b> The above counts are observed by an individual independent of the department being counted. It is recommended, but not mandatory, that the individual responsible for the funds should perform the actual count while being observed. An independent accountant may be used to perform the counts.</p> <p><b>Indicate date/shift counted:</b> _____</p>		
<p><b>Branch Office Listing</b></p> <p>13. Obtain the most recent list prepared to comply with <b>MICS #97</b> and perform the following:</p> <p><b>Indicate date of list:</b> _____</p>		
<p>a) Verify that all branch offices are included on this list.</p>		
<p>b) For each branch office on this list, verify the date the branch office was opened and closed, if applicable, name of the branch office manager, branch office address, e-mail address, normal hours of operation and telephone number recorded on the list is correct. Additionally, if applicable, does this list specify whether the branch office is operated within a person's residence, and/or operated by an independent agent?</p>		

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<p>c) For two branch offices, review supporting documentation to determine whether the total dollar amount of deposits/withdrawals and payments (cash and non-cash) on credit instruments handled by each branch during the previous fiscal year is recorded correctly on the list.</p> <p><b>Note:</b> The branch office logs required by Cage and Credit MICS #100(a) and (b) are required to perform this procedure.</p> <p><b>Indicate branch offices reviewed:</b> _____</p>		
<p>14. If a computer is used to generate credit documentation, examine the system exception report for all computerized cage systems (e.g., fill/credit systems, marker systems) for propriety of transactions and unusual occurrences. The review includes, but is not limited to, void authorizations. (<b>Asset Protection</b>)</p> <p><b>Note:</b> A system exception report documents when event data or system parameters are changed. This report may be titled with various names. This report documents data or parameters altered; data or parameter value prior to alteration; data or parameter value after alteration; date and time of alteration; and identification of user that performed alteration.</p>		
<p>15. For each computerized cage system, at the application level, obtain the user accessing listing:</p>		
<p>a) For computerized systems that have group membership (group profile), select five group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee.</p>		
<p>b) For computerized systems that have individual profiles (profiles are customized for each employee), select ten employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee.</p>		

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c) Verify that 5 terminated employees, which occurred during the review period, have been changed in the system from active to inactive status within the appropriate time frame based on the user's access (remote access, system administrator/IT personnel, etc.).		
d) Verify that 5 active employees have changed their passwords within the last 90 days.		
<p><b>Wagering Accounts</b></p> <p>16. For one test day, select 5 wagering account transactions and ensure that patrons placing wagers that day had sufficient funds deposited to cover the wagers. <b>(Asset Protection)</b></p>		
<p>17. Select 5 wagering account registrations and perform the following procedures:</p> <p><b>Indicate the wagering accounts examined. These procedures are required for all wagering account systems (e.g., wagering account system used for more than one gaming area; and wagering account system used solely for one gaming area).</b></p>		
a) Verify that the required registration information was obtained and documented for each patron listed on the wagering account as required by Regulation 5.225(5).		
b) From the sample above, select 3 transactions (deposits, withdrawals, or adjustments) for each patron and trace to the detail wagering report(s).		
c) For the patrons selected in the previous step, trace 1 wagering transaction to the WAT Detail report by gaming area.		

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<p><b>Reserve Requirements</b></p> <p>18. Obtain a recent copy of a Regulation 5.225(20) and/or Regulation 22.040 report submitted to the Board and perform the following:</p> <p><b>Indicate the month/year selected.</b></p>		
<p>19. For the report selected above, for one day, recalculate the reserve requirement. <b>Regulation 5.225(20) and/or Regulation 22.040</b></p> <p><b>Indicate the date selected.</b></p> <p><b>Note:</b> The calculation of the daily reserve should also include all amounts related to pari-mutuel wagering such as phone account deposits, future wagers and unpaid winners.</p>		
<p><b><u>Procedures Modified or Added:</u></b></p>		

✓ - Step completed without exception